

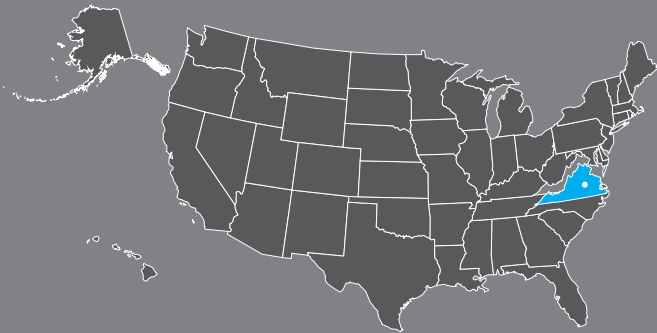
# HUD PD&R Housing Market Profiles

## Richmond, Virginia



### Quick Facts About Richmond

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: balanced.**
- **Gateway Plaza, a \$110 million, 18-story office building, is under construction in the city of Richmond. When construction is complete in the summer of 2015, the anchor tenant will be McGuireWoods, LLP, a law firm based in the city of Richmond, with more than 600 employees in the metropolitan area and nearly 2,000 employees worldwide.**



By Benjamin B. Houck | As of October 1, 2014

### Overview

The Richmond metropolitan area comprises 16 counties and 4 independent cities in eastern Virginia, including the city of Richmond, the state capital. Virginia Commonwealth University (VCU), with approximately 31,300 students, and VCU Health System are major employers in the metropolitan area.

- As of October 1, 2014, the estimated population of the Richmond metropolitan area was 1.32 million.
- Since July 2013, population growth has averaged 15,800 people, or 1.2 percent, a year, up from an average of 11,800 people, or 0.9 percent, a year from April 2010 to July 2013. Continued economic growth contributed to the increase in population growth.
- The population 50 years of age and older in the Richmond metropolitan area, as in most of the United States, has increased faster than the population younger than age 50. From April 2010 to July 2013, the population 50 years of age and older increased by 38,600, or 10 percent, whereas the population younger than age 50 was unchanged (U.S. Census Bureau estimates).



Most nonfarm payroll sectors in the Richmond area gained jobs during the past year.

	3 Months Ending		Year-Over-Year Change	
	September 2013 (thousands)	September 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	634.0	644.1	10.1	1.6
Goods-producing sectors	67.4	67.7	0.3	0.4
Mining, logging, and construction	35.0	35.3	0.3	0.9
Manufacturing	32.4	32.4	0.0	0.0
Service-providing sectors	566.6	576.4	9.8	1.7
Wholesale and retail trade	98.1	99.9	1.8	1.8
Transportation and utilities	20.9	20.8	-0.1	-0.5
Information	7.9	8.7	0.8	10.1
Financial activities	48.1	49.0	0.9	1.9
Professional and business services	99.0	100.3	1.3	1.3
Education and health services	92.0	96.3	4.3	4.7
Leisure and hospitality	60.1	60.4	0.3	0.5
Other services	31.2	31.9	0.7	2.2
Government	109.3	109.2	-0.1	-0.1
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	5.9	5.7		

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

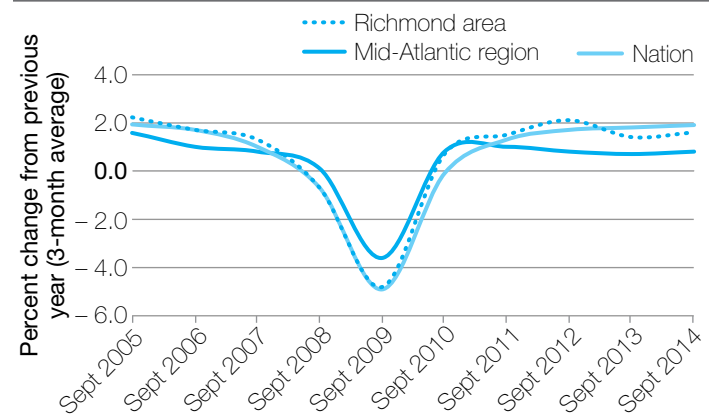
Economic conditions in the Richmond metropolitan area strengthened during the past 4 years, indicated by growth in nonfarm payrolls and decreased unemployment. In early 2014, nonfarm payrolls surpassed the peak number of jobs recorded in April 2008, having regained all the nearly 33,000 jobs lost from April 2008 through April 2010.

During the third quarter of 2014—

- Nonfarm payrolls averaged 644,100 jobs, an increase of 10,100 jobs, or 1.6 percent, from the third quarter of 2013 compared with an increase of 8,800 jobs, or 1.4 percent, during the same period a year earlier.
- Every private employment sector except the manufacturing and the transportation and utilities sectors recorded job gains.
- The education and health services sector led growth, increasing by 4,300 jobs, or 4.7 percent. Health Diagnostic Laboratory, Inc., which completed a \$25 million expansion of its headquarters facility and laboratory space in June 2014, added 400 jobs.
- The information sector, after declining by an average of 600 jobs annually from 2008 through 2013, added 800 jobs, a 10.1-percent increase. Capital One Financial Corporation added 50 jobs after opening a \$150 million data center in Chesterfield County in March 2014.

continued on page 3

The rate of job growth in the Richmond area is higher than in the Mid-Atlantic region but lower than in the nation.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

## Largest employers in the Richmond area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Capital One Financial Corporation	Financial activities	11,300
Virginia Commonwealth University Health System	Education and health services	8,500
Hospital Corporation of America Virginia Health System	Education and health services	7,050

Notes: Excludes local school districts. Employment numbers as of January 1, 2014.  
Source: *Richmond Times-Dispatch*



continued from page 2

- The average unemployment rate declined to 5.7 percent from a 5.9-percent average during the third quarter of 2013. By comparison, from 2000 through 2008, which was generally a period of economic expansion in the metropolitan area, the unemployment rate averaged 3.5 percent.

Major investments recently announced by international and domestic companies are expected to add thousands of manufacturing jobs in the Richmond metropolitan area during the next 5 years.

China-based Shandong Tralin Paper Co., Ltd., is investing \$2 billion to construct a paper and fertilizer factory in Chesterfield County, which is expected to create 2,000 jobs when complete in 2020. UniTao Pharmaceuticals LLC, also based in China, plans to begin production at an existing chemical plant in the city of Petersburg in 2015, creating nearly 400 jobs. Finally, California-based Stone Brewing Company plans to build a \$74 million brewing and distribution facility in the city of Richmond by 2016, which is expected to create nearly 300 jobs.

## Sales Market Conditions

The sales housing market in the Richmond metropolitan area is slightly tight, with a vacancy rate estimated at 1.2 percent, down from an estimated 1.7 percent in 2013. Increased demand for homes and limited homebuilding activity led to tighter sales market conditions compared with balanced market conditions in 2013. During the 12 months ending August 2014, 17,150 existing single-family homes, townhomes, and condominiums sold, a decline of 430 homes, or 2 percent, from the 12 months ending August 2013 (CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales averaged 24,000 a year from 2005 through 2008 before declining to an average of 14,400 homes sold a year from 2009 through 2011. During 2012 and 2013, existing home sales increased to 16,400 and 17,700, respectively. The average existing home sales price increased 2 percent, to \$211,400, during the 12 months ending August 2014. The average existing home sales price has increased since late 2012 but is 21 percent less than the peak of \$266,700 recorded during the 12 months ending February 2007.

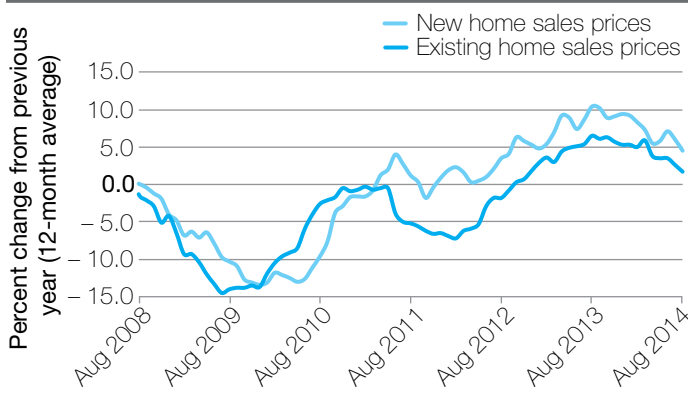
- During the 12 months ending August 2014, REO (Real Estate Owned) sales decreased by 380 sales, or 13 percent, accounting for 90 percent of the net decline of existing home sales during the period.
- As of September 2014, 3.7 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.8 percent in September 2013 (Black Knight Financial Services, Inc.).
- New home sales increased by 150 homes, or 6 percent, to 2,500 homes sold during the 12 months ending August 2014. The average new home sales price was \$341,900, up 5 percent from the previous 12-month period.

Although homebuilding activity in the Richmond metropolitan area, as measured by the number of single-family homes permitted, decreased during the third quarter of 2014, levels are up from a historical low in 2011.

- Approximately 860 single-family homes were permitted during the third quarter of 2014, a 12-percent decline from the 980

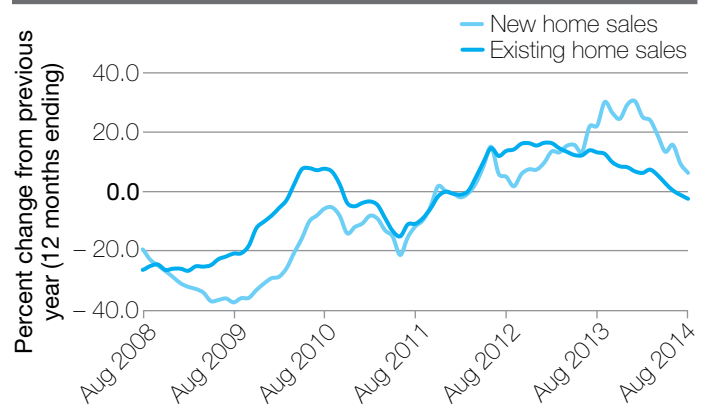
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### Gains in the average sales prices for new and existing homes slowed in the Richmond area.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

### The growth rate of new home sales in the Richmond area has recently moderated while sales of existing homes have declined.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



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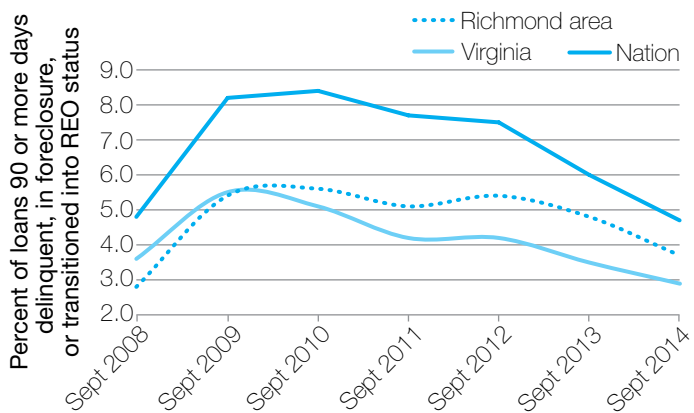
homes permitted during the third quarter of 2013. Single-family permitting is 18 percent more than the average number of homes permitted in the corresponding periods from 2009 through 2012, however (preliminary data).

- During 2013, 3,550 single-family homes were permitted in the Richmond metropolitan area, up more than 50 percent compared with the 2,350 single-family homes permitted in 2011. In 2011, homebuilding activity had declined 73 percent from 8,775 single-family homes permitted in 2005.
- Chesterfield County, southwest of the city of Richmond, accounted for 25 percent of single-family homes permitted in the Richmond

metropolitan area during the third quarter of 2014. The homes permitted in Chesterfield County during the quarter included 19 homes at Hallsley, a community of 740 single-family homes that began development in 2006. Starting prices for homes at Hallsley currently range from \$480,000 to \$1 million.

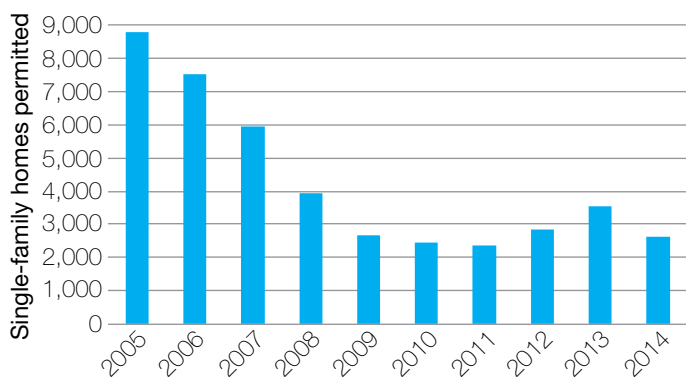
- Single-family communities in planning include several marketed to active adults and seniors. Construction is expected to begin in 2015 on Parkside Village, a 118-home, age-restricted community with single-family homes starting at \$400,000 in Goochland County, in the northwest portion of the metropolitan area (Richmond BizSense).

The rate of seriously delinquent loans and REO properties in the Richmond area is lower than in the nation but higher than in Virginia.



REO = Real Estate Owned. Source: Black Knight Financial Services, Inc.

Single-family permitting through September 2014 was 7 percent less than during the same period in 2013 in the Richmond area.



Note: Includes preliminary data from January 2014 through September 2014. Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

Apartment market conditions in the Richmond metropolitan area are balanced. The apartment vacancy rate remained at less than 7 percent during the past 2 years despite a surge in multifamily construction activity, which began in 2012.

As of July 2014 (the most recent data available)—

- The apartment vacancy rate was 6.2 percent, down from 6.6 percent as of July 2013 (Real Data).
- Apartment vacancy rates ranged from a low of 3.5 percent in the Real Data-defined North market area, which includes most of Hanover County, to a high of 9.2 percent in the Central market area, which encompasses downtown Richmond.
- The average contract rent was \$933, up nearly 3 percent compared with the average rent a year ago.

- Contract rents for Class A one-, two-, and three-bedroom apartments averaged \$1,079, \$1,381, and \$1,629, respectively.

Multifamily construction activity declined from the level recorded a year ago but remains higher than typical for the Richmond metropolitan area. Apartment market conditions may soften in the next year because of an increasing number of anticipated apartment completions.

- During the third quarter of 2014, 430 multifamily units were permitted in the metropolitan area, down 16 percent from the 640 units permitted during the third quarter of 2013. This construction activity was double the average of 215 units permitted in corresponding periods during 2005 through 2012, however.
- The multifamily units permitted during the third quarter of 2014 include 800 Semmes, with 140 newly constructed highrise apartments in the city of Richmond, which is expected to be complete in mid-2015.

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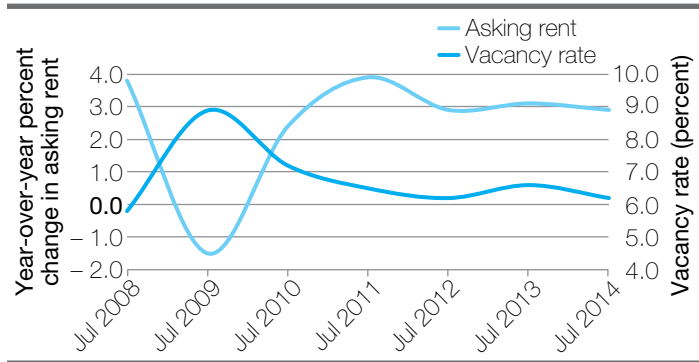
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- In November 2014, construction is expected to begin on 600 studio, one-, and two-bedroom apartments at Element at Stonebridge, in Chesterfield County. The \$68 million community, slated for completion in 2016, is part of the mixed-use redevelopment of Cloverleaf Mall, which was built in 1972 as the first regional shopping center in the Richmond metropolitan area but was closed and razed in 2008.
- In addition to new construction, approximately 1,875 apartments are currently being created through the conversion of

nonresidential structures in the city of Richmond. A \$4 million renovation of an abandoned theater in the Church Hill neighborhood into 22 apartments began in July 2014 and is anticipated to be complete in mid-2015.

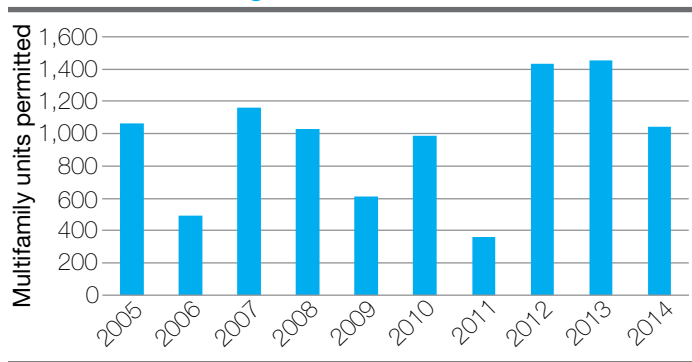
- As of July 2014, 3,375 apartments, including new construction and nonresidential conversion developments, were under construction in the Richmond metropolitan area, up 24 percent from a year earlier. In addition, 3,925 apartments were in planning, up 8 percent from a year earlier (Real Data).

**Apartment rents increased an average of 3 percent annually and the vacancy rate was stable during the past 3 years in the Richmond area.**



Source: Real Data

**Multifamily construction activity in the Richmond area slowed during the past year after recording robust levels during 2012 and 2013.**



Note: Includes preliminary data from January 2014 through September 2014.

Source: U.S. Census Bureau, Building Permits Survey

